

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6311**  
**BILL NUMBER: SB 433**

**NOTE PREPARED:** Dec 15, 2003  
**BILL AMENDED:**

**SUBJECT:** Farmland Credits.

**FIRST AUTHOR:** Sen. Hume  
**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

STATE IMPACT	FY 2004	FY 2005	FY 2006
State Revenues			
State Expenditures		13,333,300	10,000,000
Net Increase (Decrease)		(13,333,300)	(10,000,000)

**Summary of Legislation:** This bill establishes a farmland credit for farms that are actively farmed by an individual or by related individuals.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** This bill would grant a credit against the property taxes paid on certain tracts of agricultural land. The credit would apply to up to 250 acres of agricultural land that:

1. Contains at least 10 acres;
2. Is at least 50% devoted to farm production on a regular basis; and
3. Is actively farmed by an individual or group of related individuals who own at least 51% of the land.

The bill sets the statewide total amount of the credit at \$10 M per year and appropriates \$13.33 M from the Property Tax Replacement Fund (PTRF) in FY 2005 to make all payments for CY 2004 and the first two of six payments for CY 2005. The \$10 M total credit amount would be allocated among the eligible taxpayers

on the basis of the AV for the eligible farm acreage. The PTRF is annually supplemented by the state General Fund, so any additional PTRF expenditures would ultimately come from the General Fund

Each year, the Department of Local Government Finance (DLGF) would calculate the amount of credit available for each acre of eligible farmland. (Credit Factor = \$10 M / Total Eligible Land AV.)

The county auditor would apply the credit to the eligible farm land. The credit is calculated as follows:  
$$\text{Total Land AV} / \text{Total \# Acres} * [\text{Total \# Acres up to 250 Acres}] * \text{Credit Factor}.$$

The DLGF would be required to establish a program to assist county auditors in determining if any credits should be disallowed because one of the owners received a credit on another tract of farm land.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Local revenues would not be affected by this bill.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** County auditors.

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.